I answer at once—the latter. Whatever might have been practicable at one time, it is not practicable now for New Zealand to begin on what is called a Gold basis, even though this colony is a gold-producing country. If the gold production of New Zealand had been retained by the State as its right from the first, as undoubtedly it should have been, the colony would have been the owner of some fifty-six to fifty-eight millions sterling in value; but our legislators allowed that gold to go into private hands instead of buying it from the Mines, and paying them for it in State Notes. It is now too late to hold our own on a gold basis. Under present circumstances, with an annual output of about one million pounds, it would take many years to accumulate a Reserve adequate for carrying on the business of the country. But, under a law of Money, "giving to private men the handling thereof," it would be found hopeless to accumulate such a reserve, because those "private men" would assuredly do, what they have done elsewhere, viz., present Gold Bonds for payment, and deplete the Reserve as fast as it accumulates. Being heavily in debt, there would be no help for it but pay, or become bankrupt. That, to my mind, settles the question of basis—even if it were at all desirable to base our money on gold, which I do not think it is.

The proposed money must therefore be purely a local New Zealand State Note Money; and I shall now outline the Scheme:—

1. Special legislation creating the establishment and defining precisely its constitution and working would have to be passed.
2. The proposed Money or Currency would be defined, consisting of State Notes of various denominations, say from ten shillings to £100, together with Token money of silver and bronze as at present. Such money (State Notes) would be legal tender, sole legal tender within New Zealand.
3. The Directors, or Management, would be provided for. They would be Public Officers acting under Statutory powers, and directly responsible to Parliament, so would the auditors. And all of these Officers would act outside of all political influence or control, and would be subject to severe punishment for any misconduct.
4. The Management would take all steps to establish the Institution, and to put it in complete working order. It would have Head Office and Branches all over the Colony, with Agencies outside the Colony.
5. Currency would be supplied to all, without respect of persons, so as to encourage industries small as well as large. It would be supplied upon the security of real and personal property, the only qualification as to personal property being that it must be "Earmarked or identifiable or delivered up," and would include Bills of Lading and Shipping documents indorsed or transferred to the State Bank. The margin of security might be one-third more than the advance of Currency.
6. All advances would be made on Operative Current Accounts at the Bank; paying in and drawing out by cheque as required. Interest might or might not be charged. Some charge would have to be made, and probably a moderate interest, not exceeding four per cent., charged on the daily debit balance of each account would be best. Any surplus at the end of the year, arising from this source, would be applied to public purposes after all expenses and a reserve fund had been created. Such interest would in fact amount to a very legitimate kind of public tax, very fairly levied, and very easily collected.
7. The claims of the State Bank as to all advances made would have preference to all claims of other Creditors until the Bank is fully satisfied and paid
8. The Bank would make arrangements for remitting money to any part of the world, and it would make adequate exchange rates and other charges for such work.
9. The Bank would have the sole right to purchase all gold and silver mined in the colony, paying for it at market price. And such bullion would be used in paying and settling the colony's obligations outside of New Zealand, but specially the principal of the Public Debt as the same becomes due.
10. The Bank would set aside out of income a fixed proportion thereof to create a reserve fund to meet contingencies—say one-fifth of the nett Income until the maximum reserve had accumulated.